

Message Text

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ACTION COME-00

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 7351

C O N F I D E N T I A L L I M A 7437

EO 11652: GDS

TAGS: ETRD, ECON, PE

SUBJECT: LOST EXPORT OPPORTUNITIES: SOUTHERN PERU

ORDERS \$50 MILLION EQUIPMENT FROM U.K. FOR

CUAJONE.

COMMERCE FOR SECY. DENT; TREASURY FOR HENNESSY;
EXIM BANK FOR KEARNS; STATE FOR ASST. SECY. FOR
ECONOMIC AND BUSINESS AFFAIRS ARMSTRONG; WHILE HOUSE FOR
FLANIGAN.

1. ANOTHER CHAPTER IN THE SAD HISTORY OF LOST EXPORT
OPPORTUNITIES IN PERU HAS JUST BEEN WRITTEN WITH THE
PURCHASE OF APPROX 18 MILLION POUNDS STERLING OF
HEAVY EQUIPMENT FOR THE NEXT MAJOR PHASE IF CAUJONE'S
INVESTMENT SCHEDULE. THIS PURCHASE IS FINANCED BY
LAZARD BROS. WITH A UKG GUARANTEE (EXPORT CREDIT GUARANTEE
DEPT.) WHICH PROVIDES THE CREDIT AT A VERY FAVORABLE 6 PERCENT.
THE AMOUNT (ABOUT \$50 MILLION) IS A PART OF THE
175 MILLION REQUIRED TO MAKE THE CASE MANHATTAN
200 MILLION PACKAGE OPERATIVE. THE REMAINDER IS TO COME
(HOPEFULLY) FROM THE JAPANESE AND GERMANS, WHO ARE
STILL INSISTING ON EXIM PARTICIPATION.

ACCORDING TO ARCHIBALD, SPCC'S PRESIDENT, U.S. PROCURE-
MENT COULD STILL AMOUNT TO \$30 MILLION IF FINANCING
WERE AVAILABLE. SPCC MUCH PREFERRED ORDER IN U.S., BUT
NEED TO MEET CONSTRUCTION SCHEDULE FILED WITH GOP
AS REQUIRED BY LAW PRECLUDED ANY FURTHER DELAYS
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IN PLACING ORDER. SPCC CONSTRUCTION PROGRAM NOW

ASSURED TO MEET COMMITMENTS MADE TO GOP AND IT IS OBVIOUS THAT FOUR PARTNERS DETERMINED TO PROCEED WITH PROJECT. ARCHIBALD TOLD ME THEY STILL CONVINCED, DESPITE CERRO AND GRACE EXPERIENCES, THAT GOP WILL HONOR SPCC CONTRACTURAL ARRANGEMENTS.

2. THE EXTENSIVE LIST OF HEAVY EQUIPMENT (FOLLOWING TELEGRAM) COULD HAVE BEEN MANUFACTURED IN THE U.S. TO THE ADVANTAGE OF OUR BALANCE OF PAYMENTS AND THE U.S. LABOR FORCE, NOT TO MENTION THE P & L REPORTS OF U.S. MANUFACTURERS. (SEE LIMA 7438)

3. ALL THIS IS VERY SAD READING TO THOSE OF US WHO ARE CONSTANTLY EXHORTED IN SPEECHES, AIRGRAMS AND CABLES TO PROMOTE EXPORT OPPORTUNITIES.

4. THE CONTINUED APPLICATION OF OUR PRESENT MISGUIDED POLICY VIS-A-VIS EXIM FINANCING TO U.S. COMPANIES OPERATING IN PERU FAILS TO PRODUCE ANY POSITIVE BENEFITS FOR U.S. INTERESTS. ON THE CONTRARY, WE NOT ONLY LOSE A SUBSTANTIAL MARKET, BUT WE ALSO LOSE ACCESS TO SCARCE RAW MATERIALS WHICH WILL BE MORTGAGED TO PAY FOR EQUIPMENT PURCHASED ELSEWHERE.

5. THE POLICY OF "NON-OVERT ECONOMIC PRESSURE" HAS NOTHING POSITIVE TO SHOW FOR IT. THE NEGATIVE RESULTS ARE BEGINNING TO SHOW IN CONCRETE TERMS. THE LONGER WE MAINTAIN THE PRESENT POSITION, THE MORE OUR INTERESTS WILL SUFFER. I CAN ONLY HOPE THAT YOU IN WASHINGTON CAN BE PURSUADED TO LET EXIM APPLY USUAL CRITERIA IN PERU, THEREBY SAVING SOMETHING OF THIS MARKET POTENTIAL FOR U.S. MANUFACTURERS, U.S. WORKERS AND OUR BALANCE OF PAYMENTS.

7. THE RECORD OF FOREIGN (SEE SEPTTEL ON UK AMBASSADOR'S COMMENTS) AND U.S. PRIVATE BANK FRUSTRATION OF OUR STERILE AND COUNTER PRODUCTIVE POLICY IS HEARTENING ONLY IN THE SENSE THAT IT MAY BRING ABOUT A CHANGE IN THAT POLICY SO LONG RECOMMENDED BY THIS EMBASSY. INCIDENTALLY THIS AMOUNT WOULD HAVE REPRESENTED AN INCREASE OF US EXPORTS TO PERU, CONFIDENTIAL

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USING LAST YEAR'S FIGURES, OF OVER 20 PERCENT.
BELCHER

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